



Request for City Council Committee Action

Date: April 1, 2003

To: Council Member Lisa Goodman, Chair
Community Development Committee

Referral to: Ways & Means/Budget Committee

Prepared or Submitted by: David Fey, Deputy Mayor Phone: 673-3888

Approved by: Mayor Rybak

Subject: Allocation of Remaining CDBG Year 29 Capital Funds

Presenters in Committee: David Fey

Recommendation: Approve the enclosed allocations for Year 29 CDBG funds

Financial Impact (Check those that apply)

☒ No financial impact (If checked, go directly to Background/Supporting Information)

- ☐ Action requires an appropriation increase to the Capital Budget
- ☐ Action requires an appropriation increase to the Operating Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

☒ Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information

As you know, last fall's budget resolution postponed specific allocation of \$8.8 million CDBG capital funds pending the outcome of the City's strategic planning process. With January's adoption of housing and economic development goals, the two community development study sessions in late January and early February, and the additional feedback from this spring's Ad hoc Focus Groups on Housing and Economic Development, there is now a firmer foundation on which to proceed with allocating our remaining CDBG grant.

Key features of the Mayor's recommendation include the following:

- This recommendation increases the allocation to Multi-family/Affordable Housing by \$1.9 million over last year's level. In addition to fully funding the City's January commitment to the Affordable Housing Trust Fund, (\$3.7 million) this additional funding will enable the City to create a "seed money" pool with the additional \$1,536,241, to be used to attract new, outside resources to the AHTF. I would ask the AHTF Revenue Committee to work on strategies for leveraging at least an equal amount of new non-public dollars for allocation through the AHTF.
- Expand our ongoing commitment to the METP jobs training program by targeting \$200,000 in additional funds to those Minneapolis neighborhoods that have a median household income below the overall city median income. Thirty nine neighborhoods would be eligible under this proposal. Discussions within the Ad hoc Focus Group on Economic Development have confirmed that current job training networks have unused capacity which would result in an additional 75 placements with these funds. METP estimates that based on reductions in welfare costs and additions to income taxes paid by participants, the ROI for the CDBG funded adult program is \$6.16 for each CDBG dollar spent. It is my expectation that with the movement of METP into CPED, that there will be increased opportunities for synergies between the City's business and employment assistance functions.
- These increased allocations will be offset by eliminating or reducing allocations to the following program areas:
 - a phase out of new allocation to the Residential Finance unit for single family loan and grant programs; this unit is being spun off to outside vendors because it is a service that others provide more cost effectively than the City; there are sufficient unspent balances from prior years (\$2.2 million as of early March) to provide transition resources to carry the program through the end of the year;
 - a one-year hold on new allocations to the GMMHC Home Ownership Program; this project also has a substantial backlog of unspent balances (\$1.6 million) with which to continue production for another year;
 - a phase out of allocations to the Rehab Support Program and the Foreclosure Prevention Program; MCDA staff have advised that HUD regulations preclude the use of CDBG funds for both programs; I have asked MCDA staff to find an alternate source of funds for the Foreclosure Prevention Program.
 - a slight reduction to N/CEDF; again, there are unspent program balances (\$1.8 million) that will enable activity to continue in this program.

NOTE: CDBG funds are part of the City's annual allocation from HUD. They can be flexibly used at the City's discretion to meet housing, community and economic development priorities. They cannot be used for the City's normal operating budget. At least 70% of annual spending must meet a national objective of benefiting residents at or below 80% of metro median income. Balance of funding can meet a national objective of slum and blight removal. The City may spend up to 20% of annual grant for administration and up to 15% of annual grant for public services. The December allocation decisions by the City Council in fact do allocate up to these maximums in both categories.

The Mayor's complete recommendation appears below:

Mayor's Recommended Year 29 CDBG Capital Allocations					
	Yr 28 Approved	Yr 29 Approved Dec 2002	Mayor's Recommendation April 2003		
N/CEDF	398,000	-	300,000		
Residential Loan & Grant	1,214,000	-		note 1	
Home Ownership Programs					
GMMHC Home Ownership	628,000	-		note 2	
Rehab Support Program	390,000	-		note 3	
Vacant/Boarded Housing	2,640,000	-	3,035,000	note 4	
Subtotal Homeownership	3,658,000	-	3,035,000		
Multi-Family/Affordable Housing	3,308,000	-	5,236,241	note 5	
Mortgage Foreclosure Prevention Prog	250,000			note 6	
Subtotal MCDA Capital Programs	8,828,000	8,792,241	8,571,241	note 7	
Program Administration	30,000	30,000	30,000		
MCDA CDBG Administration	49,000	50,000	50,000		
Citizen Participation	349,000	345,510	345,510		
Business Association Assistance	174,000	174,000	174,000		
Subtotal MCDA Non-capital	602,000	599,510	599,510		
MCDA Total	9,430,000	9,391,751	9,170,751		
METP/Adult Training, Placement etc.	441,000	441,000	641,000	note 8	
Total New Allocation		8,792,241	8,771,241	note 9	
1) reallocated to Multi-family/Affordable Housing; spend down of existing balances					
2) spend down of balances (\$1.6 M) to continue this effort with no additional Yr 29 allocation					
3) discontinued due to problematic HUD rules on lead removal					
4) new allocation slightly smaller than Yr 28 allocation plus pending supplemental allocation					
5) \$3.7 million for previous AHTF commitment and \$1.5 million as new seed money pool					
6) staff determination that this is not an eligible use for CDBG					
7) Dec 2003 budget allocated \$8.8 million to unspecified MCDA capital programs					
8) Additional \$200,000 for targeted employment training program					
9) Total allocation is \$21,000 less than December due to reduction in final grant award					